

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE
PHONE (317) 232-3777
FAX (317) 232-8779



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204

SHELBY COUNTY – RE-TRENDING DIRECTIVE

The Department of Local Government Finance (Department) passed Resolution 2007-10 on September 4, 2007, pursuant to Ind. Code § 6-1.1-4-9, finding sufficient cause to believe it necessary to re-trend real property in Shelby County, Indiana (Shelby County).

The Department published notice of a public hearing in accordance with Ind. Code § 6-1.1-4-10 and held a public hearing regarding the re-trending on Thursday, September 27, 2007, at 5:00 p.m., in the Shelbyville Central High School Auditorium, located at 2003 South Miller Street, Shelbyville, Indiana. The public hearing was held in the high school auditorium at the request of and in accordance with a resolution approved by the Shelby County Commissioners on September 4, 2007, stating that there was no area in the county courthouse able to accommodate more than 60 or 70 people at one time.

After thorough review of all evidence and testimony before the Department, the Department now makes the following findings regarding the need for the re-trending of real property in Shelby County as of the March 1, 2006, assessment date:

WHEREAS, the Department is charged with maintaining a just and equitable valuation of real property throughout the state; and

WHEREAS, the Department finds the accurate assessment of real property to be an indispensable requirement for a fair and equitable system of property taxation; and

WHEREAS, Ind. Code § 6-1.1-31-5 states that the rules adopted by the Department are the basis for determining the true tax value of tangible property; and

WHEREAS, Ind. Code § 6-1.1-31-5 requires county assessors to comply with the rules, appraisal manuals, bulletins, and directives adopted by the Department; and

WHEREAS, Ind. Code § 36-2-15-5 requires that county assessors perform the functions assigned by statute to the county assessors; and

WHEREAS, Ind. Code § 6-1.1-9-6 requires county assessors to assess all omitted or undervalued tangible property which is subject to assessment in accordance with the provisions of the article; and

WHEREAS, the Department has adopted 50 IAC 21, an administrative rule that requires the annual adjustment of all real property values in accordance with Ind. Code § 6-1.1-4-4.5 beginning with the March 1, 2006, assessment date; and

WHEREAS, the valuation date for the March 1, 2006 assessment date is January 1, 2005 and the valuation date for the March 1, 2005 assessment date is January 1, 1999; and

WHEREAS, the assessment-to-sales ratio study submitted by the Shelby County Assessor indicated that assessments on residential property in the county were outside of the range of accuracy, specifically:

- a) Improved residential property assessments in Addison, Hanover, Hendricks, and Shelby Townships were outside the acceptable range of assessment accuracy required by 50 IAC 21; and

WHEREAS, the assessment-to-sales ratio study submitted by the Shelby County Assessor indicated that assessments on residential property in the county were regressive or progressive, specifically:

- a) Unimproved residential property assessments in Hanover and Liberty Townships were outside the acceptable range of assessment uniformity required by 50 IAC 21; and

WHEREAS, the assessment-to-sales ratio study submitted by the Shelby County Assessor indicated that assessments on commercial property in the county were outside of the range of accuracy, specifically:

- a) Improved commercial property assessments in Union Township were outside the acceptable range of assessment accuracy required by 50 IAC 21; and
- b) Unimproved commercial property assessments in Addison Township were outside of the acceptable range of assessment accuracy required by 50 IAC 21; and

WHEREAS the assessment-to-sales ratio study submitted by the Shelby County Assessor indicated that assessments on industrial property in the county were regressive or progressive, specifically:

- a) Improved industrial property assessments in Addison and Brandywine Townships were outside the acceptable range of assessment uniformity required by 50 IAC 21; and

WHEREAS, a county-wide analysis of gross assessed values on all classes of industrial parcels revealed that seventy percent (70%) of these parcels had no change in assessed values from the 2005 assessment year to the 2006 assessment year; and

- a) Six (6) sales were reported for improved industrial property county-wide out of three hundred two (302) total parcels; and
- b) Four (4) sales were reported for unimproved industrial property county-wide out of one hundred ten (110) total parcels; and

- c) No evidence was submitted before or during the public hearing to show that other data or information, as specified in 50 IAC 21-5-2(b), was utilized in the annual adjustment process; and

WHEREAS, a county-wide analysis of gross assessed values on all classes of commercial parcels revealed that eighty-nine percent (89%) of these parcels had no change in assessed values from the 2005 assessment year to the 2006 assessment year; and

- a) Six (6) sales were reported for vacant commercial property county-wide out of three hundred sixty-nine (369) total parcels; and
- b) Thirty-two (32) sales were reported for improved commercial property county-wide out of nine hundred thirty-seven (937) total parcels; and
- c) No evidence was submitted before or during the public hearing to show that other data or information, as specified in 50 IAC 21-5-2(b), was utilized in the annual adjustment process; and

WHEREAS, a county-wide analysis of gross assessed values on all classes of residential parcels revealed that sixty-eight percent (68%) of these parcels had no change in assessed values from the 2005 assessment year to the 2006 assessment year; and

WHEREAS, 50 IAC 21-5-2(b) provides that if assessing officials determine there are insufficient sales of commercial or industrial improved property in a township or county to determine an annual adjustment factor, the county shall use other data or information to derive annual adjustment factors or modify the values of commercial and industrial property, including, but not limited to:

- Marshall and Swift cost and depreciation tables from the first quarter of the calendar year preceding the assessment date; and
- Income data, rental data, market value appraisals, and other relevant evidence adjusted, as applicable to the January 1, 2005 valuation date; and

WHEREAS, it is the judgment of the Department that reassessment, specifically, re-trending, is necessary to correct these problems with Shelby County's valuations for the March 1, 2006, assessment date; and

WHEREAS, the Department has concluded based on the evidence and testimony presented that a review of residential, commercial, and industrial properties is warranted; and

WHEREAS, the review of commercial and industrial real property for Shelby County will proceed more efficiently and effectively if the County Assessor utilizes Marshall and Swift cost and depreciation tables, income data, market value appraisals, or other information and data as described in 50 IAC 21-5-2 as additional methodologies and means to determine whether and

to what extent commercial and industrial real properties should be further adjusted to the January 1, 2005 valuation date, subject to supervision by the Department; and

WHEREAS, the Department was presented with convincing evidence at the public hearing that any directed re-trending should occur in a manner that permits Shelby County property taxpayers to pay their 2006-pay-2007 property tax bills, and allow their local schools and other taxing units to collect their property tax levies as soon as possible; and

WHEREAS, the majority of Shelby County residents and officials who spoke at the public hearing specifically requested a Directive be issued rather than a Reassessment Order; and

WHEREAS, the Department hereby recognizes the extraordinary efforts and hard work of the Shelby County Assessor, O. Lynn Bass, and her staff that took office in January 2007 in achieving data compliance.

NOW THEREFORE, in light of the above findings, the Department finds that a full reassessment is not appropriate for the Shelby County March 1, 2006, assessments. However, the Department may find it necessary to order a partial reassessment under Ind. Code § 6-1.1-4-9 if the issues discussed above are not addressed by the County Assessor. As an acceptable alternative and in lieu of a partial reassessment order, the Department directs the County Assessor to follow her statutory duty under Ind. Code § 6-1.1-9 and implement the following process:

Review for Undervalued or Omitted Property

1. In order to maintain a just and equitable valuation of real property, the County Assessor should perform a review of all residential, commercial, and industrial real property in Shelby County for the March 1, 2006, assessment date, subject to approval by the Department. This review should be performed for the purposes of detecting and correcting undervalued and omitted property as required by Ind. Code § 6-1.1-9. The actions suggested for this review are explained in detail below.

2. The review of residential, commercial, and industrial real property in Shelby County, including adjustments to assessed values and a Department-approved ratio study, should be completed by **January 15, 2008**. A request for an extension, if necessary, shall be made to the Department in writing. Any changes to assessed values shall be made in accordance with Ind. Code § 6-1.1-9-5.

3. The valuation date for purposes of valuing undervalued and omitted properties under this directive shall be January 1, 2005, and the assessment date is March 1, 2006.

4. The County Assessor shall promptly provide any assistance requested by the Department and produce any documents, records, or other work product within three (3) business days of a written request by the Department.

5. In accordance with Ind. Code § 6-1.1-9-6, the Township Assessors in Shelby County and the Shelby County Auditor (County Auditor) shall promptly provide all records and assistance requested by the County Assessor for this review.

Combination of Parcels

6. Pursuant to the requirements of Ind. Code § 6-1.1-5-16, the County Assessor shall consolidate more than one (1) existing contiguous parcel into a single parcel if the assessing official has knowledge that an improvement to the real property is located on or otherwise significantly affects the parcels.

Authority to Retain a Professional Appraisal Firm

7. The review of residential, commercial, and industrial real property shall be completed in an expedited manner.

8. The County Assessor may either utilize the current professional appraiser contracted by her office or retain a new certified professional appraiser to perform the re-trending, subject to the approval of the Department. All work conducted by a certified professional appraiser is subject to the approval and supervision of the Department.

9. If the County Assessor chooses to retain a new certified professional appraiser to perform the re-trending under this directive, the Department expressly authorizes her to retain a certified professional appraiser to perform the re-trending through Special Procurement and without employing the provisions of Ind. Code § 6-1.1-4-17. A contract between the County Assessor and a certified professional appraiser shall be reviewed for approval by the Department under Ind. Code § 6-1.1-4-18.5.

10. Any professional appraiser retained by the County Assessor shall use as much information as already has been compiled by the assessing officials as is useful in completing the re-trending.

11. The 2005 Trending Adjustment contract between the County Assessor, Township Assessors, and their professional appraiser, Accurate Assessments, Inc., contains a termination provision in paragraph 14.

12. The Department encourages the County Assessor, Township Assessors, and the attorney or attorneys for Shelby County to review the county's contract with the professional appraiser to determine if it is contractually permissible and in the county's best interest to terminate the contract with their current professional appraiser, Accurate Assessments, Inc.

13. In this directive, any reference to the County Assessor shall be interpreted to include reference to any certified professional appraiser that may be retained by the County Assessor.

Scope of Work – Land Valuation

14. The County Assessor shall evaluate commercial and industrial real property land values.

15. The County Assessor shall use the methodologies approved by the Department in 50 IAC 2.3 and 50 IAC 21 to make a determination in regard to the accuracy of current land values. If sufficient sales data is not available, the County Assessor shall use any data or information authorized under 50 IAC 21-5-2(b).

16. The County Assessor is required to establish new land base rates if the existing base rates are inaccurate.

17. The evaluation of land values shall not be considered complete until the Department has reviewed the proposed land values and provided written approval of a sales ratio study for each township.

Scope of Work – Neighborhood Evaluation

18. The County Assessor shall use current GIS maps, if available, and other information to review neighborhood boundaries and refine, develop, modify, or delineate assessment neighborhood boundaries to reflect comparable properties and property use groups. In order to accomplish this review, the County Assessor shall be granted access to any such GIS maps or other information necessary.

19. In accordance with 50 IAC 21-4-1, the County Assessor should not merely stratify properties and sales according to their classification, that is, residential and commercial, and develop one (1) neighborhood and one (1) annual adjustment factor for the entire class of property. Properties throughout any given municipality or area, even though they have the same classification, may vary considerably in quality, style, age, location, and amenities and, therefore, may change in value at differing rates. Sales used to develop annual adjustment factors must be comparable to the properties for which the factors are being developed. In other words, the County Assessor shall endeavor to ensure that the factors are developed from a sample of sales that is representative to the population of parcels to which the factor or factors will ultimately be applied.

Scope of Work – Residential Properties

20. The County Assessor shall review and adjust the assessments of all residential properties. In reviewing and adjusting residential properties, the County Assessor must use assessment methodology approved by the Department in either 50 IAC 2.3 or 50 IAC 21.

21. The County Assessor shall review and adjust all residential land values in accordance with 50 IAC 21.

22. A review of the residential neighborhood delineations shall be completed to determine if the delineations used adequately placed like property into homogeneous geographic groups. If the review identifies inadequacies in the delineations, the County Assessor shall

modify neighborhood boundaries and base the new delineations on geographic areas exhibiting a high degree of similarity as required by 50 IAC 21-4-1.

23. In areas where values are erratic and geographic neighborhood delineations are not sufficiently homogeneous, the County Assessor shall either reassess the properties in that area or further stratify properties by property characteristics, developing separate factors for various property strata in accordance with 50 IAC 21-4-1.

24. In accordance with Ind. Code § 6-1.1-4-39 and 50 IAC 21-5-3, stratification, if appropriate, and annual adjustment of real property regularly used to rent or otherwise furnish residential accommodations for periods of thirty (30) days or more and that has more than four (4) rental units shall value such property by applying the least of the following appraisal approaches:

- (1) The cost approach.
- (2) The sales comparison approach.
- (3) The income capitalization approach.

25. In accordance with Ind. Code § 6-1.1-4-39(b) and 50 IAC 21-5-3, stratification, if appropriate, and annual adjustment of real property that has at least one (1) and not more than four (4) rental units shall use the gross rent multiplier method to value such property.

Scope of Work – Cost Approach

26. The County Assessor shall develop an annual adjustment factor for all non-residential properties using updated cost and depreciation tables that reflect property values for January 1, 2005, and shall apply the factor to either the individual components or the overall improvement value.

27. The annual adjustment factors developed under the cost approach must be approved in writing by the Department before they are applied to the value of any property. If the Department rejects the annual adjustment factors, the County Assessor shall develop new factors.

Scope of Work – Sales Approach

28. The County Assessor shall evaluate the validity of each sale from the 2004 and 2005 sales disclosure file database, and where applicable, generate and apply an annual adjustment factor.

29. The annual adjustment factors developed under the sales approach must be approved in writing by the Department before they are applied to the value of any property. If the Department rejects the annual adjustment factors, the County Assessor shall develop new factors.

Scope of Work – Reconciliation of Cost and Sales Approaches

30. Once the factors have been determined under the cost and sales approaches, those factors shall be compared and reconciled in accordance with generally accepted appraisal practices to develop a final annual adjustment factor for each non-residential property.

31. The final annual adjustment factors developed under the cost and sales approaches must be approved in writing by the Department before they are applied to the value of any property. If the Department rejects the annual adjustment factors, the County Assessor shall develop new factors.

32. Once the final annual adjustment factors have been developed by the County Assessor, the County Assessor shall provide a report for data entry into a CAMA system. Once the final annual adjustment factors have been developed by the County Assessor, the county Assessor shall ensure that the data is entered into a CAMA system, either by the assessing officials or otherwise.

Scope of Work – Income Approach

33. The County Assessor may use the income approach to develop assessed values for non-residential properties as she deems appropriate. Any assessment changes resulting from application of the income approach must be approved in writing by the Department before they are applied to the value of any property.

34. If the Department rejects the income approach assessed values, the County Assessor shall develop assessed values for those properties using the cost and sales approaches. The final annual adjustment factors developed under the cost and sales approaches must be approved in writing by the Department before they are applied to the value of any property. If the Department rejects the annual adjustment factors, the County Assessor shall develop new factors.

Scope of Work – Final Ratio Study

35. Once all real property has been reviewed and final annual adjustment factors have been applied, a sales-assessment ratio study shall be completed by the County Assessor.

36. The final ratio study shall be performed using the methods or combination of methods acceptable under the Standard on Ratio Studies published by the International Association of Assessing Officers (“IAAO”) or other acceptable appraisal methods approved by the Department in 50 IAC 21.

Final Review and Approval by the Department

37. The Department shall review the final ratio study to determine whether the re-trending work has resulted in accurate and equitable assessments in all classes of property.

38. If the Department finds errors in the accuracy or equity of assessment, the Department may reject the proposed assessments and direct the County Assessor to take any corrective action the Department deems necessary to achieve accurate and equitable assessments.

39. Pursuant to the requirements of 50 IAC 21, the ratio study prepared under this directive shall be approved in writing by the Department before the assessed values are rolled to the County Auditor. The Department may direct the County Assessor to take any corrective action the Department deems necessary to achieve accurate and equitable assessments.

Property Tax Billing and Payment Issues

40. The review required under Ind. Code § 6-1.1-9 does not require invalidation of previously established tax rates for Shelby County. All taxpayers will be required to pay their 2006-pay-2007 tax bills as calculated by the County Treasurer.

41. If the County Assessor believes any taxable real property has been omitted from or undervalued on the assessment rolls or the tax duplicate for any year or years, the County Assessor shall give written notice to the taxpayer, by mail, of the amount of the assessment or increase in assessment. Ind. Code § 6-1.1-9-1; Ind. Code § 6-1.1-4-22.

42. If any omitted or undervalued real property is assessed or its assessed valuation is increased, the County Assessor shall file with the County Auditor a written statement which contains: (1) the reasons why the action was taken; and (2) the facts or evidence on which the reasons are based (Form 122). Ind. Code § 6-1.1-9-1; Ind. Code § 6-1.1-9-2.

43. The process to correct errors in the tax duplicate shall be followed, including each property owners' right to petition to correct errors through use of the Form 133. Ind. Code § 6-1.1-15-12.

Assessment Appeals

44. All assessment appeals for the March 1, 2006, assessment date shall be processed by the local assessors in accordance with Ind. Code § 6-1.1-15.

45. If the County Assessor modifies an assessment under this directive that is under appeal, the County Assessor must send the notice required by Ind. Code § 6-1.1-9-1. Any appeal by the taxpayer shall be taken from Ind. Code § 6-1.1-9.

Cost of Review

46. Pursuant to Ind. Code § 6-1.1-9, all costs incurred in reviewing and adjusting undervalued properties shall be paid from county funds. Unencumbered monies in the county reassessment fund may be used for the purposes of this review.

Effect on 2008 Budget Order

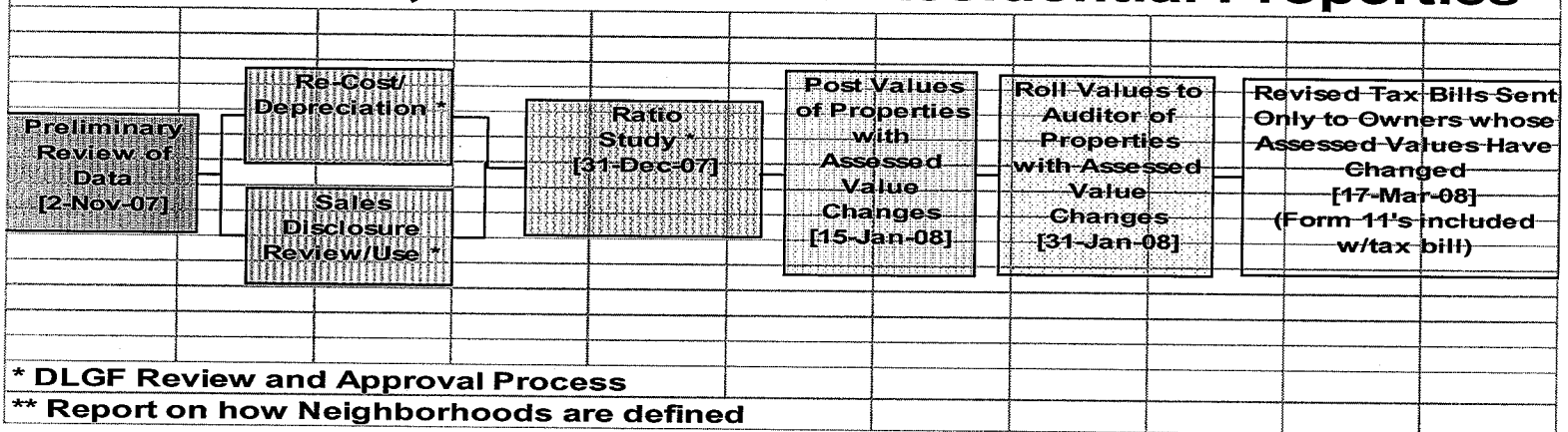
47. While the County Assessor is re-trending 2006-pay-2007 assessed valuations for residential, commercial, and industrial properties in accordance with this Directive, the County Assessor is hereby directed to begin and follow through with the annual adjustment process for 2007-pay-2008 assessed valuations using 2005 and 2006 sales data, and the cost, income, and

other approaches to value in accordance with 50 IAC 21-5-2(b). The resulting annual adjustment, or trending, factors shall then be applied accordingly to 2006-pay-2007 and 2007-pay-2008 assessed valuations.

48. Because the assessed values determined using the process above may affect both the tax rates and levies for taxes first due and payable in 2008, the Department will not certify the 2008 Budget Order, including budgets, tax rates and tax levies, for Shelby County until the process described above has been completed. Ind. Code § 6-1.1-17.

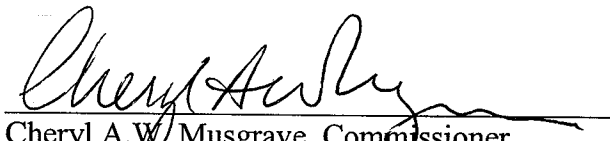
Timeline

Suggested Timeline for Shelby County Directive **Commercial, Industrial and Residential Properties**



WHEREFORE, the Department has determined that the abovementioned assessment inaccuracies occurred in Shelby County for the March 1, 2006, assessment date. According to Ind. Code §§ 36-2-15-5 and 6-1.1-31-5, the County Assessor must perform the functions assigned by statute to county assessors and comply with the rules, appraisal manuals, bulletins, and directives adopted by the Department. Ind. Code § 6-1.1-9-6 requires the County Assessor to assess all omitted or undervalued tangible property according to the provisions of the article. In lieu of ordering a partial reassessment, the Department directs the County Assessor to fulfill her statutory duty under Ind. Code § 6-1.1-9. Following the process outlined by the Department above avoids the necessity for the Department to issue further directives or orders.

Signed this 12th day of October, 2007.


Cheryl A. W. Musgrave, Commissioner
Department of Local Government Finance

Distribution:

O. Lynn Bass
Shelby County Assessor
25 West Polk Street, Rm 205
Shelbyville, Indiana 46176

Amy Glackman
Shelby County Auditor
25 West Polk Street, Rm 104
Shelbyville, Indiana 46176

Kathy Plunkett
Shelby County Treasurer
25 West Polk Street, Rm 102
Shelbyville, Indiana 46176